

CITY OF MANCHESTER, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2015

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City of Manchester

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Milt Kramer	Mayor	January 2017
Mary Ann Poynor	Council Member	January 2017
Ron Struble	Council Member	January 2017
Connie Behnken	Council Member	January 2019
Dean Sherman	Council Member	January 2019
Dan Stelken	Council Member	January 2019
Timothy Vick	City Manager	
Erin Learn	City Clerk	
Julie Schmitz	City Treasurer	
James Peters	City Attorney	



James R. Ridihalgh, C.P.A.
Gene L. Fuelling, C.P.A.
Donald A. Snitker, C.P.A.
Jeremy P. Lockard, C.P.A.

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Manchester, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Manchester as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Emphasis of a Matter

As disclosed in Note 4 to the financial statements, the City of Manchester adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

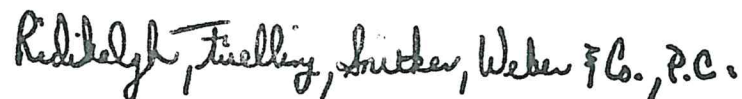
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Manchester's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 11 and 32 through 34 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 28, 2016 on our consideration of the City of Manchester's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Manchester's internal control over financial reporting and compliance.



RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C.

March 28, 2016

City of Manchester

The City of Manchester provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year that ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow:

2015 FINANCIAL HIGHLIGHTS

- The City's general purpose property tax revenues declined, decreasing by \$35,650, to \$1,813,456. Overall revenues increased by \$712,798, or approximately 8.75%, to \$8,857,192 from fiscal 2014 to fiscal 2015.
- Disbursements increased by approximately 33.4%, or \$3,122,783 to \$12,484,632 from fiscal 2014 to fiscal 2015.
- The City's total cash basis net assets decreased by approximately 6.1%, or \$253,043, to \$3,914,044 from June 30, 2014 to June 30, 2015. Of this amount, the assets of the governmental activities increased approximately \$139,910 and the assets of the business type activities decreased approximately \$392,953.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted

accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water department and sanitary sewer department. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment (TIF), 3) the Debt Service Fund, and 4) the Capital Projects Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Governmental funds are further broken down into the following activities:

Public Safety - This category includes police and communications center operations, disaster control, fire protection, and animal control services.

Public Works - This category includes roadway maintenance, traffic safety, street cleaning, storm/street drainage, airport, solid waste collection, snow removal, compost facility, local option tax, and equipment reserve.

Culture and Recreation - This category includes library, parks, recreation programs, family aquatic center, sports complex, and special events.

Community and Economic Development - This category includes community beautification, economic development, building and housing, planning and zoning, and revolving loan fund.

General Government - This category includes legislative, administration, tax revenue, insurance, employee benefits, local access cablevision and other general government.

Debt Service - This category includes general and tax increment financing debt service.

Capital Projects - This category includes the Downtown Incentive Program, Housing Grant Projects, Street Projects, and other capital projects.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Proprietary Funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

The required financial statements for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from \$3,177,000 to \$3,316,910.

The City's receipts including other financing sources for governmental activities totaled \$10,743,625 for Fiscal 2015. The total cost of all programs and services was \$10,603,715. The net result was a surplus of \$139,910 for Fiscal 2015.

The City kept property tax rates the same for 2015 with a rate of \$15.57523. With changes to Residential Rollback, this resulted in an additional \$23,677 in property tax revenues.

The cost of all governmental activities this year was \$10,603,715 compared to \$7,563,814 last year. As shown in the Statement of Activities and Net Assets, the amount of property taxes ultimately utilized for these activities was only \$2,510,811 because some of the cost was paid by other city taxes, which include local option taxes (approximately \$484,535), by those directly benefited from the programs (approximately \$453,486), or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$2,159,376). The City paid for the remaining public benefit portion of governmental activities with approximately \$4,995,507 as follows: bond proceeds, interest, funds held in reserve for specific projects, and transfers from other funds (including employee benefits and franchise fees).

Total business type activities receipts for the fiscal year were \$1,487,964 compared to \$1,466,994 last year. The cash balance decreased by \$392,953 due primarily to expenditures for Water and Sewer Capital Projects occurring in the City. Total disbursements for the fiscal year were \$1,880,917, an increase of approximately 4.61% over the prior year. This increase was primarily due to the completion of various water and sewer capital projects.

INDIVIDUAL GOVERNMENTAL FUND ANALYSIS

As the City of Manchester completed the year, its governmental funds reported a combined fund balance of \$3,316,910, an increase of \$139,910 from last year's total of \$3,177,000. The following are the major

reasons for the change in fund balances of the major funds from the prior year:

- The Debt Service Fund cash balance decreased by \$136,033 from the prior year to \$147,055. This decrease was due to the 2014 General Obligation Bond Proceeds received at the end of fiscal 2014 that were used for capital projects in fiscal 2015.
- The Capital Project, Street Projects Fund cash balance increased by \$894,104 from the prior year to \$1,120,848. This increase was attributable to the receipt of bond proceeds for street project work within the City in the summer of 2015.
- The Capital Project, Whitewater Park Project Fund cash balance decreased by \$891,415 from the prior year to (\$129,261) at the end of the fiscal year. The deficit was due to the timing of construction work and timeline for grant reimbursement, and will be corrected next fiscal year upon receipt of grants awarded for the project.

The changes in the governmental funds as a whole are due primarily to the timing of capital projects and the funding for these projects. The construction season typically runs from April through October, and subsequently crosses over two fiscal years, as the City's fiscal year is July 1 through June 30. Therefore revenues may be received in one fiscal year but not spent until the next fiscal year, and vice versa.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased by \$37,985 to \$166,433. This increase was due to reduced expenditures related to capital projects.
- The Enterprise, Sewer Fund cash balance decreased by \$69,909 to \$107,656. This decrease was primarily due to expenditures related to capital projects.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City of Manchester amended its budget one time. The amendment was approved on May 26, 2015, and was necessary, in large part, due to the timing of the Whitewater Park Project and 2015 Street Improvement Project and the funding for the projects; grant related expenses; property demolitions; bond issuance and the refunding of existing bonds; subsequent transfers; and property acquisition.

DEBT ADMINISTRATION

On June 30, 2015, the City had \$7,000,000 in general obligation bonds, compared to \$6,222,000 last year, as shown below. Additionally, the City had \$4,684,000 in sewer revenue bonds and \$666,000 in water revenue bonds on June 30, 2015.

City of Manchester Outstanding Debt at Year-End		
	June 30,	
	2015	2014
General obligation bonds	\$ 7,000,000	\$ 6,222,000
State Revolving Fund Revenue Bonds	5,350,000	5,695,000
Total	\$ 12,350,000	\$ 11,917,000

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and tax increment debt of \$7,000,000 is significantly below its constitutional debt limit of \$13,597,640.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Manchester's elected and appointed officials considered many factors when setting the fiscal year 2016 budget, tax rates, and fees charged for various city activities. One of those factors was the significant changes made to Iowa's property tax system during the 2013 legislative session. While the City Council froze the property tax levy rate at \$15.57523 for fiscal year 2016, financial uncertainty of the current economy and the estimated impact of the changes to the property tax system may result in levy rate increases in future budget years.

Revenues tied to the economy continue to remain steady with local option sales tax receipts and road use tax revenues projected to meet or exceed estimates. Road use tax revenues are expected to increase in the next fiscal year due to actions taken by the 2014 Iowa Legislature to increase the gas tax by \$.10/gallon. Additionally, in 2013, the City implemented collection of franchise fees from gas and electric utilities in order to provide funding for an additional officer in the Police Department and to pay for the cost of electricity for street lighting. Manchester's commercial and industrial districts continue to thrive with few mandatory layoffs, no shutdowns, and limited vacant storefronts.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Timothy J. Vick, City Manager, or Erin Learn, City Clerk, 208 East Main Street, Manchester, Iowa.

Basic Financial Statements

City of Manchester

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2015

Functions / Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 1,390,475	29,610	237,930	-
Public works	1,197,310	413,657	547,610	333,529
Culture and recreation	835,512	150,810	59,872	735,627
Community and economic development	307,874	106,048	5,566	181,257
General government	316,893	10,081	27,222	-
Debt service	2,766,404	-	1,600	-
Capital projects	3,789,247	-	-	-
Business type	-	35,044	-	-
Total governmental activities	10,603,715	745,250	879,800	1,250,413
Business type activities:				
Water	459,441	714,905	-	-
Sewer	479,622	1,059,159	112	-
Sewer debt service	421,711	-	-	-
Other business type activities	520,143	8,775	-	15,000
Total business type activities	1,880,917	1,782,839	112	15,000
Total	\$ 12,484,632	2,528,089	879,912	1,265,413

General Receipts:

Property tax levied for:
 General purposes
 Tax increment financing
 Debt service
 Other city tax
 Local option sales tax
 Unrestricted interest on investments
 Bond proceeds, net
 Miscellaneous
 Sale of assets
 Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

Restricted:

Expendable:

Streets
 Debt service
 Capital expenditures
 Urban renewal purposes
 Other purposes

Unrestricted

Total cash basis net position

See notes to financial statements

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(1,122,935)	-	(1,122,935)
97,486	-	97,486
110,797	-	110,797
(15,003)	-	(15,003)
(279,590)	-	(279,590)
(2,764,804)	-	(2,764,804)
(3,789,247)	-	(3,789,247)
35,044	-	35,044
(7,728,252)	-	(7,728,252)
-	255,464	255,464
-	579,649	579,649
-	(421,711)	(421,711)
-	(496,368)	(496,368)
-	(82,966)	(82,966)
(7,728,252)	(82,966)	(7,811,218)
1,813,456	-	1,813,456
483,242	-	483,242
697,355	-	697,355
405,698	-	405,698
484,535	-	484,535
17,528	7,833	25,361
3,373,600	-	3,373,600
189,367	15,463	204,830
70,098	-	70,098
333,283	(333,283)	-
7,868,162	(309,987)	7,558,175
139,910	(392,953)	(253,043)
3,177,000	990,087	4,167,087
\$3,316,910	597,134	3,914,044
\$ 548,849	-	548,849
147,055	221,904	368,959
14,819	-	14,819
136,452	-	136,452
42,877	-	42,877
2,426,858	375,230	2,802,088
\$3,316,910	597,134	3,914,044

City of Manchester

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2015

	General	Special Revenue Local Option Tax	Capital Project Whitewater Park Projects	Street Projects	Debt Service
Receipts:					
Property tax	\$1,419,824	-	-	-	697,355
Tax increment financing collections	-	-	-	-	-
Other city tax	50,767	484,535	-	-	891
Licenses and permits	86,507	-	-	-	-
Use of money and property	21,838	2,489	-	-	1,600
Intergovernmental	370,271	-	735,627	327,261	-
Charges for service	449,036	-	-	-	-
Special assessment	-	-	-	-	-
Miscellaneous	208,635	-	-	6,267	-
Total receipts	2,606,878	487,024	735,627	333,528	699,846
Disbursements:					
Operating:					
Public safety	1,381,960	-	-	-	-
Public works	577,432	-	-	-	-
Culture and recreation	781,352	-	-	-	-
Community and economic development	180,246	-	-	-	-
General government	216,321	-	-	-	-
Debt service	-	-	-	-	2,766,404
Capital projects	-	-	1,905,297	1,623,090	-
Total disbursements	3,137,311	-	1,905,297	1,623,090	2,766,404
Excess of receipts over disbursements	(530,433)	487,024	(1,169,670)	(1,289,562)	(2,066,558)
Other financing sources (uses):					
Bond Proceeds, net of discount	-	-	-	-	3,373,600
Miscellaneous	48	-	-	-	-
Operating transfers in	929,578	-	278,255	2,183,666	2,049,198
Operating transfers out	(150,802)	(550,001)	-	-	(3,492,273)
Total other financing sources (uses)	778,824	(550,001)	278,255	2,183,666	1,930,525
Net change in cash balances	248,391	(62,977)	(891,415)	894,104	(136,033)
Cash balances beginning of year	586,275	493,659	762,154	226,744	283,088
Cash balances end of year	\$ 834,666	430,682	(129,261)	1,120,848	147,055
Cash Basis Fund Balances					
Restricted for:					
Streets	\$ -	430,682	-	-	-
Debt service	-	-	-	-	147,055
Capital expenditures	-	-	-	-	-
Urban renewal purposes	-	-	-	-	-
Other purposes	-	-	-	-	-
Committed for:					
Capital expenditures	-	-	-	-	-
Other purposes	27,690	-	-	-	-
Assigned for:					
Capital expenditures	199,099	-	(129,261)	1,120,848	-
Other purposes	50	-	-	-	-
Unassigned	607,827	-	-	-	-
Total cash basis fund balances	\$ 834,666	430,682	(129,261)	1,120,848	147,055

See notes to financial statements

Other Nonmajor Governmental Funds	Total
393,632	2,510,811
483,242	483,242
354,040	890,233
-	86,507
4,370	30,297
726,217	2,159,376
4,450	453,486
115,747	115,747
91,684	306,586
<u>2,173,382</u>	<u>7,036,285</u>

8,515	1,390,475
619,878	1,197,310
54,160	835,512
127,628	307,874
100,572	316,893
-	2,766,404
260,860	3,789,247
<u>1,171,613</u>	<u>10,603,715</u>
<u>1,001,769</u>	<u>(3,567,430)</u>

-	3,373,600
409	457
519,015	5,959,712
(1,433,353)	(5,626,429)
<u>(913,929)</u>	<u>3,707,340</u>
87,840	139,910
<u>825,080</u>	<u>3,177,000</u>
<u>912,920</u>	<u>3,316,910</u>

118,167	548,849
-	147,055
14,819	14,819
136,452	136,452
42,877	42,877
135,906	135,906
21,178	48,868
389,145	1,579,831
54,376	54,426
-	607,827
<u>912,920</u>	<u>3,316,910</u>

City of Manchester

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2015

	Water	Sewer	Sewer Debt Service
Operating receipts:			
Use of money and property	\$ 16,717	1,564	4,328
Intergovernmental	-	-	-
Charges for service	705,330	1,059,159	-
Special Assessment	9,575	-	-
Miscellaneous	-	113	-
Total operating receipts	731,622	1,060,836	4,328
Operating disbursements:			
Business type activities	459,441	479,622	421,711
Total operating disbursements	459,441	479,622	421,711
Excess (deficiency) of operating receipts over (under) operating disbursements	272,181	581,214	(417,383)
Other financing sources (uses):			
Bond Proceeds, net of issuance fee	-	-	-
Miscellaneous	231	109	-
Operating transfers in	-	-	469,602
Operating transfers out	(234,427)	(651,232)	(154,960)
Total other financing sources (uses)	(234,196)	(651,123)	314,642
Net change in cash balances	37,985	(69,909)	(102,741)
Cash balances beginning of year	128,448	177,565	324,645
Cash balances end of year	\$ 166,433	107,656	221,904
Cash Basis Fund Balances			
Restricted for debt service	\$ -	-	221,904
Committed for capital expenditures	-	-	-
Assigned for:			
Capital expenditures	-	-	-
Other purposes	-	-	-
Unassigned	166,433	107,656	-
Total cash basis fund balances	\$ 166,433	107,656	221,904

See notes to financial statements

Other Nonmajor Proprietary Funds	Total
346	22,955
-	-
8,775	1,773,264
-	9,575
15,000	15,113
24,121	1,820,907
520,143	1,880,917
520,143	1,880,917
(496,022)	(60,010)
-	-
-	340
287,734	757,336
(50,000)	(1,090,619)
237,734	(332,943)
(258,288)	(392,953)
359,429	990,087
101,141	597,134
-	221,904
7,162	7,162
-	-
5,938	5,938
45,127	45,127
42,914	317,003
101,141	597,134

City of Manchester

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

The City of Manchester is a political subdivision of the State of Iowa located in Delaware County. It was first incorporated in 1866 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, and garbage utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Manchester has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions:

Delaware County Economic Development Commission
Delaware County Solid Waste Commission
Delaware County Conference Board
Delaware County E911 Board
Manchester Area Chamber of Commerce
Community Promotion Board – Hotel/Motel Tax
East Central Intergovernmental Association
Foundation for the Future of Delaware County
Northeastern Iowa Regional League
Eastern Iowa Regional Housing Authority
Delaware County Communications Center
Buchanan County Joint E911 Service Board

The City is also a participant in the following community venture programs:

Community Childcare of Manchester
Greater Delaware County Community Foundation
Good to Great
Manchester Regional Education Partnership

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often has constraints on cash balances imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

The Special Revenue Fund – Local Option Sales Tax is used to account for revenues and expenditures of local option sales tax.

Capital Project:

The Capital Project Fund – Whitewater Park Capital Projects is used to account for revenues and expenditures associated with the construction of a whitewater park in the City.

The Capital Project Fund – Street Projects is used to account for major street construction projects in the City.

The Debt Service Fund is used to account for collection of property taxes levied for the payment of principal and interest on the City's general obligation bonds and notes.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water utility system.

The Sewer Fund accounts for the operation and maintenance of the City's sewer utility system.

The Sewer Debt Service Fund accounts for payments of principal and interest on the City's State Revolving Fund Revenue Bonds.

C. Measurement Focus and Basis of Accounting

The City of Manchester maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the

disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact. The City does not currently have any nonspendable funds.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts only available to be used for specific purposes determined by a formal action by Council ordinance or resolution.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk – The City’s investment policy limits the investment of operating funds, (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. The maturities shall be consistent with the needs and use of the City.

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization. The balance at June 30, 2015 was \$-0-.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for bonds and notes are as follows:

Year	General Obligation		State Revolving Fund			
Ending	Bonds and Notes		Revenue Bonds		Total	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2016	1,085,000	122,587	356,000	149,820	1,441,000	272,407
2017	1,175,000	108,411	367,000	138,810	1,542,000	247,221
2018	1,070,000	92,441	379,000	127,440	1,449,000	219,881
2019	700,000	75,535	392,000	115,680	1,092,000	191,215
2020	660,000	62,050	404,000	103,560	1,064,000	165,610
2021-2025	2,090,000	152,382	1,893,000	341,430	3,983,000	493,812
2026-2030	220,000	5,390	1,559,000	72,060.00	1,779,000	77,450
Total	\$ 7,000,000	\$ 618,795	\$ 5,350,000	\$ 1,048,800	\$12,350,000	\$ 1,667,595

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

General Obligation Bonds

On April 28, 2015 the city issued \$1,375,000 of general obligation corporate purpose bonds for 1) refunding the outstanding balance of the City’s General Obligation Fire Station Note, series 2008, dated February 15, 2008; 2) refunding General Obligation Corporate Purpose and Refunding Notes, series 2008, dated July 1, 2008. The City received funds in the amount of \$1,381,600 net of \$13,630 premium and of \$7,030 discount.

On June 23, 2015 the city issued \$2,000,000 of general obligation corporate purpose bonds for 1) constructing street, water system, sanitary sewer system, storm water drainage and sidewalk improvements; 2) constructing municipal recreation trail improvements and completing the City’s Whitewater Park Project. The City received funds in the amount of \$1,992,000 net of discount \$8,000.

Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the \$4,684,000 of bonds outstanding as of June 30, 2015. The bonds were issued July 2, 2008 for a construction project related to the City's Wastewater Treatment System. The notes are payable solely from sewer customer net receipts and are payable through 2029. Annual principal and interest payments on the notes are expected to require less than 100% of net receipts. The total principal and interest remaining to be paid on the notes is \$5,670,250. For the current year, principal and interest paid and total customer net receipts were \$409,350 and \$579,646, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the sewer activity and the note holders hold a lien on the future earnings of the funds.
- (b) Charges for sewer services shall be at least sufficient to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.
- (c) Charges for sewer services shall be at least sufficient to meet the operation and maintenance expenses of the wastewater treatment system.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay the \$666,000 of bonds outstanding as of June 30, 2015. The bonds were issued December 20, 2011 to pay a portion of the cost of constructing improvements and extensions to the Municipal Waterworks System of the City. The notes are payable solely from water customer net receipts and are payable through 2022. Annual principal and interest payments on the notes are expected to require less than 100% of net receipts. The total principal and interest remaining to be paid on the notes is \$728,550. For the current year, principal and interest paid and total customer net receipts were \$106,500 and \$246,120 respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the water activity and the note holders hold a lien on the future earnings of the funds.
- (b) Charges for water services shall be at least sufficient to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.
- (c) Charges for water services shall be at least sufficient to meet the operation and maintenance expenses of the waterworks system.

(4) Pension and Retirement Benefits

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS

Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. Protection Occupation members contributed 6.76 percent of pay and the City contributed 10.14 percent for a total rate of 16.90 percent.

The City’s contributions to IPERS for the year ended June 30, 2015 were \$158,627.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions –

At June 30, 2015, the City’s liability for its proportionate share of the collective net pension liability totaled \$597,507. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the collective net pension liability was based on the City’s share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City’s proportion was 0.0150661 percent, which was a decrease of 0.0029784 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$65,634, \$39,774 and \$339,301 respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best

estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease 6.5%	Discount Rate 7.5%	1% Increase 8.5%
City's proportionate share of the net pension liability	\$1,498,870	\$597,507	(\$162,958)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer benefit plan which provides medical/prescription drug, dental, and vision benefits provided through a plan with Wellmark Blue Cross/Blue Shield for active employees and their families. Retired employees are eligible to participate at their own expense and must be age 55 or older at retirement. There are 34 active and 5 retired members in the plan.

Funding Policy - The contribution requirements of plan members are established by resolution and may be amended by the City. The City fully funds a single coverage policy for employees. Any employees choosing other than a single policy must pay a sliding scale monthly premium up to a maximum of 20% of the total monthly cost. For the year ended June 30, 2015, the City contributed \$229,262 on behalf of plan members.

(6) Termination Benefits

In 2007, the City approved a voluntary early retirement plan for employees. The plan was only offered to employees for one year. Eligible employees must have 1) completed at least ten years of full-time service to the City, 2) have reached the age of 55 by December 31, 2007, and 3) have resigned by December 31, 2007. The application for early retirement was subject to approval by the City Council.

Early retirement benefits equal 25% of each day of earned, unused sick leave days, calculated as of the last day of employment prior to retirement. If the employee wanted to continue participation in the City's health insurance plan, the payment would contribute towards the monthly premium not to exceed \$400 per month. The City cease coverage of the retiree upon the earliest of the following: 1) the employee fails to pay any premium balance, 2) the employee becomes deceased, or 3) the employee becomes eligible for Medicare. At June 30, 2015 there was one former employee still receiving benefits under this plan.

In 2014, the City approved a voluntary early retirement plan for employees. The plan was offered from January 3, 2014 through February 3, 2014 and required any applying employees to set a retirement date before July 31, 2014. Three employees enrolled in this program.

Early retirement benefits include a \$500 monthly contribution to the employees' health reimbursement account and 25, 30, or 35% of accumulated sick pay based on years' service (20, 25, or 30 years, respectively). Monthly payments cease upon the earliest of the following: 1) the employee fails to pay any premium balance, 2) the employee becomes deceased, or 3) the employee becomes eligible for Medicare. At June 30, 2015, there were three former employees still receiving benefits under this plan.

Total actual early retirement expenditures for the year ended June 30, 2015 of \$33,709.

(7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours based on the length of their employment. Vacation leave is for subsequent use or for payment upon termination, retirement or death. Unused sick leave is forfeited upon termination, retirement, or death. The accumulation of vacation leave is not recognized as a disbursement by the City until used or paid. The City's approximate liability for earned vacation termination payments payable to employees is as follows:

<u>Type of benefit</u>	<u>Amount</u>
Vacation	\$ 107,821

This liability has been computed based on rates of pay in effect at June 30, 2015.

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(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Franchise Fees	\$ 264,000
	Employee Benefits	369,818
	C.O.P.S.	3,000
	Capital Projects	
	FEMA	75,000
		<u>711,818</u>
Special Revenue:		
Tirrill Trust	General	8,475
Park Improvements	General	21,970
Housing Acq/Demolition	General	50,000
		<u>80,445</u>
Capital Projects:		
Capital Projects Levied	Capital Projects:	
	Debt Service	195,273
CDBG Housing Grant	Capital Projects:	
	FEMA Projects	31,611
Whitewater Project	Debt Service	278,255
Bikeway Project	Debt Service	211,685
Street Projects	Special Revenue:	
	Local Option Sales Tax	550,001
	Debt Service	1,460,060
	Capital Projects:	
	Street Improvement	110,000
	Proprietary:	
	Water	36,116
	Sewer	27,489
		<u>2,900,490</u>
Debt Service	General	
	Special Revenue:	
	Tax Increment Financing	375,980
	Franchise Fees	106,103
	Proprietary:	
	Water	65,155
	Sewer Debt Service	154,960
		<u>702,198</u>
Proprietary:		
Water Debt Service	Proprietary:	
	Water	108,375
Sewer Replacement	Proprietary:	
	Sewer	9,359
Sewer Debt Service	Proprietary:	
	Sewer	469,602
Sewer Improvements	Proprietary:	
	Sewer	120,000
	Sewer Replacement	50,000
		<u>757,336</u>
TOTAL		<u><u>\$ 5,152,287</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(9) Commitments

The City entered into a lease agreement with Access Systems on February 23, 2015 for a copier at City Hall. The lease is 60 payments of \$305.

(10) Related Party Transactions

The City had business transactions between the City and City officials during the year ended June 30, 2015 totaling \$2,445.

(11) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(12) Economic Development Loans and Agreements

The City has granted a local company an interest bearing loan in the amount of \$50,000 to make proposed construction improvements to its lot. Principal and interest payments are due in annual installments and began December 31, 2009 continuing through December 31, 2018. The annual interest rate is 2% and the City is provided with a security interest in the real estate mortgage on the land, building, and fixtures of the specified lot.

The City entered into a development agreement on September 10, 2007 for an urban renewal project for the period June 1, 2010 through June 1, 2014. The agreement requires the City to rebate portions of the incremental tax paid by a developer up to \$14,110 a year for five years with a maximum total payment of \$70,550. The tax will be rebated in exchange for certain infrastructure improvements made by the developer. Obligations under the agreement are subject to annual appropriation by the City Council. The City made payments under this agreement of \$14,110 during the year ended June 30, 2015.

The City entered into a development agreement on June 19, 2008 for an urban renewal project beginning on December 1, 2010 and continuing for ten years. The agreement requires the City to rebate portions of the incremental tax paid by a company up to \$176,000. The tax will be rebated in exchange for construction of a warehouse addition by the company. Obligations under the agreement are subject to annual appropriation by the City Council. The City made no payments under this agreement during the year ended June 30, 2015.

The City entered into a development agreement on September 19, 2012 for an urban renewal project. Payments to the company are based upon capital investments in, and jobs created at, a local factory. The company has filed none of the required compliance reports and has not requested any grant money from the City as of June 30, 2015.

These agreements are not general obligations of the City however the amounts payable are subject to the constitutional debt limitation of the City.

(13) Notes Receivable

The City has loaned money to area businesses as part of its Downtown Incentive Program. The program provides no interest loans to downtown businesses for second story improvements.

Schaul LLC, due in monthly installments of \$167, beginning January 1, 2010 through December 1, 2014. The loan bears no interest and is unsecured. The note was paid in full during the year ended June 30, 2015.

Matthew Schulte, due in monthly installments of \$170, beginning June 1, 2011 through May 1, 2016. The loan bears no interest and is unsecured. Balance due at June 30, 2015 is \$1,677.

3-DJ Properties, LLC due in semi-annual installments of \$1,000, beginning on November 1, 2013 through May 1, 2018. The loan bears no interest and is unsecured. Balance due at June 30, 2015 is \$7,000.

Wes Schulte, due in monthly installments of \$167, beginning February 1, 2015 through November 1, 2018. The loan bears no interest and is unsecured. Balance due at June 30, 2015 is \$9,000.

(14) Construction Commitments

The City awarded a bid to Top Grade Excavating for the 2015 Street Project. The contract total was for \$1,538,382 of which \$528,272 had been paid before year end.

The City awarded a bid to Taylor Construction for the Whitewater Project. The contract total was for \$1,394,255 of which \$1,790,773 had been paid before year end.

The City awarded a bid to Tschiggfrie Excavating for the Marion Street Riverfront Walkway Project. The contract total was for \$297,002 of which none had been paid before year end.

The City awarded a bid to Tschiggfrie Excavating for the Trunk sewer Replacement Project. The contract total was \$349,601 of which \$314,886 had been paid before year end.

The City awarded a bid to Horsfield Construction for the 5th Street Reconstruction Project. The contract total was \$332,231 of which none had been paid before year end.

(15) Deficit Fund Balances

The Capital Projects – Whitewater Park Project Fund had a deficit balance of \$129,261 at June 30, 2015. The deficit balance was a result of project costs incurred before grant and loan fund reimbursements. The deficits will be eliminated upon receipt of the grant funds.

(16) Litigation

The City is not subject to any pending litigation as of June 30, 2015.

(17) Subsequent Events

In July 2015, the City approved a banking services agreement with F&M Bank for the period July 2015 through July 2018.

In October 2015, the City approved a contract in the amount of \$25,478 for the South 5th Water Main Relocation Project.

In October 2015, the City approved payments in the amount of \$25,168 for slip lining the storm sewer along 3rd Street.

In November 2015, the City approved a contract Approving Development Agreement with Lucas Holdings, LLC in an amount not to exceed \$125,000.

Other Information

City of Manchester

Budgetary Comparison Schedule
of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 2,510,811	-	-
Tax increment financing collections	483,242	-	-
Other city tax	890,233	-	-
Licenses and permits	86,507	-	-
Use of money and property	30,297	22,955	-
Intergovernmental	2,159,376	-	-
Charges for service	453,486	1,773,264	-
Special assessment	115,747	9,575	-
Miscellaneous	306,586	15,113	-
Total receipts	7,036,285	1,820,907	-
Disbursements:			
Public safety	1,390,475	-	-
Public works	1,197,310	-	-
Culture and recreation	835,512	-	-
Community and economic development	307,874	-	-
General government	316,893	-	-
Debt service	2,766,404	-	-
Capital projects	3,789,247	-	-
Business type activities	-	1,880,917	-
Total disbursements	10,603,715	1,880,917	-
Excess of receipts over disbursements	(3,567,430)	(60,010)	-
Other financing sources (uses), net	3,707,340	(332,943)	-
Excess of receipts and other financing sources over disbursements and other financing use:	139,910	(392,953)	-
Balances beginning of year	3,177,000	990,087	-
Balances end of year	\$ 3,316,910	597,134	-

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
2,510,811	2,398,662	2,398,662	112,149
483,242	496,555	496,555	(13,313)
890,233	1,000,425	982,529	(92,296)
86,507	32,130	54,875	31,632
53,252	48,864	48,864	4,388
2,159,376	2,207,465	1,957,760	201,616
2,226,750	2,413,975	2,337,532	(110,782)
125,322	115,000	127,081	(1,759)
321,699	806,030	996,519	(674,820)
8,857,192	9,519,106	9,400,377	(543,185)
1,390,475	1,430,916	1,465,791	75,316
1,197,310	1,310,867	1,229,793	32,483
835,512	842,743	842,743	7,231
307,874	361,694	468,942	161,068
316,893	277,764	327,610	10,717
2,766,404	1,404,659	2,827,456	61,052
3,789,247	3,039,652	4,196,089	406,842
1,880,917	1,823,908	2,046,490	165,573
12,484,632	10,492,203	13,404,914	920,282
(3,627,440)	(973,097)	(4,004,537)	377,097
3,374,397	-	3,375,000	(603)
(253,043)	(973,097)	(629,537)	376,494
4,167,087	3,657,075	4,167,743	(656)
3,914,044	2,683,978	3,538,206	375,838

City of Manchester

Notes to Other Information – Budgetary Reporting

June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue, Capital Project, Debt Service and Enterprise Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment decreased budgeted receipts by \$118,729 and increased budgeted disbursements by \$2,912,711. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the General Government function budgeted prior to amendment.

City of Manchester
Schedule of the City's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
Last Fiscal Year*

Other Information

	<u>2015</u>
City's proportion of the net pension liability	0.015066%
City's proportionate share of the net pension liability	\$ 597,507
City's covered-employee payroll	\$ 1,705,594
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	35.03%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

*The amounts presented for each fiscal year were determined as of June 30

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Manchester
Schedule of City Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years

Other Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 158,627	158,740	146,702	134,934
Contributions in relation to the statutorily required contribution	<u>(158,627)</u>	<u>(158,740)</u>	<u>(146,702)</u>	<u>(134,934)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	1,705,594	1,707,870	1,604,418	1,561,373
Contributions as a percentage of covered-employee payroll	9.30%	9.29%	9.14%	8.64%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
122,715	56,101	105,121	95,163	89,318	91,746
<u>(122,715)</u>	<u>(56,101)</u>	<u>(105,121)</u>	<u>(95,163)</u>	<u>(89,318)</u>	<u>(91,746)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,563,248	756,185	1,432,162	1,376,755	1,320,782	1,353,590
7.85%	7.42%	7.34%	6.91%	6.76%	6.78%

City of Manchester

Notes to Other Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Supplementary Information

City of Manchester

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds - Summary

As of and for the year ended June 30, 2015

	Non-Major Special Revenue Funds	Non-Major Capital Project Funds	Total
Receipts:			
Property tax	\$ 393,632	-	393,632
Tax increment financing collections	483,242	-	483,242
Other city tax	354,040	-	354,040
Use of money and property	2,616	1,754	4,370
Intergovernmental	550,000	176,217	726,217
Charges for services	4,450	-	4,450
Special Assessment	-	115,747	115,747
Miscellaneous	86,643	5,041	91,684
Total receipts	1,874,623	298,759	2,173,382
Disbursements:			
Operating:			
Public safety	8,515	-	8,515
Public works	563,889	55,989	619,878
Culture and recreation	54,160	-	54,160
Community and economic develop	127,628	-	127,628
General government	100,572	-	100,572
Debt service	-	-	-
Capital projects	-	260,860	260,860
Total disbursements	854,764	316,849	1,171,613
Excess (deficiency) of receipts over (under) disbursements	1,019,859	(18,090)	1,001,769
Other financing sources:			
Miscellaneous	409	-	409
Operating transfers in	80,445	438,570	519,015
Operating transfers out	(1,191,742)	(241,611)	(1,433,353)
Net change in cash balances	(91,029)	178,869	87,840
Cash balances beginning of year	677,022	148,058	825,080
Cash balances end of year	\$ 585,993	326,927	912,920
Cash Basis Fund Balances			
Restricted for:			
Streets	\$ 118,167	-	118,167
Capital expenditures	-	14,819	14,819
Urban renewal purposes	136,452	-	136,452
Other purposes	42,877	-	42,877
Committed for:			
Capital expenditures	-	135,906	135,906
Other purposes	21,178	-	21,178
Assigned for:			
Capital expenditures	212,943	176,202	389,145
Other purposes	54,376	-	54,376
Total cash basis fund balances	\$ 585,993	326,927	912,920

See accompanying independent auditor's report

City of Manchester

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds - Special Revenue Funds

As of and for the year ended June 30, 2015

	Special Revenue					
	Franchise Fee Gas & Electric	Road Use Tax	Employee Benefits	Police Special Uses	T.I.F.	Tirrill Trust
Receipts:						
Property tax	\$ -	-	393,632	-	-	-
Tax increment financing collections	-	-	-	-	483,242	-
Other city tax	353,488	-	552	-	-	-
Use of money and property	-	-	4	10	760	2
Intergovernmental	-	538,525	-	500	-	-
Charges for services	-	-	-	-	-	-
Special assessment	-	-	-	-	-	-
Miscellaneous	-	-	33,238	14,508	-	9,812
Total receipts	353,488	538,525	427,426	15,018	484,002	9,814
Disbursements:						
Operating:						
Public safety	-	-	-	7,687	-	-
Public works	-	563,889	-	-	-	-
Culture and recreation	-	-	-	-	-	18,773
Community and economic development	-	-	-	-	17,410	-
General government	4,000	-	96,572	-	-	-
Debt service	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Total disbursements	4,000	563,889	96,572	7,687	17,410	18,773
Excess (deficiency) of receipts over (under) disbursements	349,488	(25,364)	330,854	7,331	466,592	(8,959)
Other financing sources:						
Miscellaneous	-	409	-	-	-	-
Operating transfers in	-	-	-	-	-	8,475
Operating transfers out	(370,103)	(47,841)	(369,818)	-	(400,980)	-
Net change in cash balances	(20,615)	(72,796)	(38,964)	7,331	65,612	(484)
Cash balances beginning of year	32,155	190,963	78,834	6,641	70,840	484
Cash balances end of year	\$ 11,540	118,167	39,870	13,972	136,452	-
Cash Basis Fund Balances						
Restricted for:						
Streets	\$ -	118,167	-	-	-	-
Urban renewal purposes	-	-	-	-	136,452	-
Other purposes	-	-	39,870	-	-	-
Committed for other purposes	11,540	-	-	-	-	-
Assigned for:						
Capital expenditures	-	-	-	-	-	-
Other purposes	-	-	-	13,972	-	-
Total cash basis fund balances	\$ 11,540	118,167	39,870	13,972	136,452	-

See accompanying independent auditor's report

Special Revenue (continued)								
Police COPS	Police K9	Park Gift & Trust	Park Improvement	Housing Acquisition & Demolition	Library Gift & Trust	Economic Development RLF	Lora Stewart Trust	Total
-	-	-	-	-	-	-	-	393,632
-	-	-	-	-	-	-	-	483,242
-	-	-	-	-	-	-	-	354,040
-	14	106	933	386	394	-	7	2,616
-	-	3,000	-	-	7,975	-	-	550,000
-	-	4,450	-	-	-	-	-	4,450
-	-	-	-	-	-	-	-	-
3,000	3,863	8,493	2	-	8,160	5,567	-	86,643
3,000	3,877	16,049	935	386	16,529	5,567	7	1,874,623
-	828	-	-	-	-	-	-	8,515
-	-	-	-	-	-	-	-	563,889
-	-	17,053	-	-	18,334	-	-	54,160
-	-	-	-	110,218	-	-	-	127,628
-	-	-	-	-	-	-	-	100,572
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	828	17,053	-	110,218	18,334	-	-	854,764
3,000	3,049	(1,004)	935	(109,832)	(1,805)	5,567	7	1,019,859
-	-	-	-	-	-	-	-	409
-	-	-	21,970	50,000	-	-	-	80,445
(3,000)	-	-	-	-	-	-	-	(1,191,742)
-	3,049	(1,004)	22,905	(59,832)	(1,805)	5,567	7	(91,029)
-	3,298	27,395	107,703	69,470	57,749	28,490	3,000	677,022
-	6,347	26,391	130,608	9,638	55,944	34,057	3,007	585,993
-	-	-	-	-	-	-	-	118,167
-	-	-	-	-	-	-	-	136,452
-	-	-	-	-	-	-	3,007	42,877
-	-	-	-	9,638	-	-	-	21,178
-	-	26,391	130,608	-	55,944	-	-	212,943
-	6,347	-	-	-	-	34,057	-	54,376
-	6,347	26,391	130,608	9,638	55,944	34,057	3,007	585,993

City of Manchester

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds - Capital Project Funds

As of and for the year ended June 30, 2015

	Capital Projects			
	Capital Projects Levied	Downtown Incentive	Bikeway Walkway Project	Street Improvement
Receipts:				
Property tax	\$ -	-	-	-
Tax increment financing collections	-	-	-	-
Other city tax	-	-	-	-
Use of money and property	-	1,712	-	42
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Special Assessment	-	-	-	115,747
Miscellaneous	-	5,041	-	-
Total receipts	-	6,753	-	115,789
Disbursements:				
Operating:				
Public safety	-	-	-	-
Public works	-	-	55,989	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
General government	-	-	-	-
Debt service	-	-	-	-
Capital projects	193,126	26,072	-	24,802
Total disbursements	193,126	26,072	55,989	24,802
Excess (deficiency) of receipts over (under) disbursements	(193,126)	(19,319)	(55,989)	90,987
Other financing sources:				
Miscellaneous	-	-	-	-
Operating transfers in	195,274	-	211,685	-
Operating transfers out	-	(25,000)	-	(110,000)
Net change in cash balances	2,148	(44,319)	155,696	(19,013)
Cash balances beginning of year	3,653	180,225	1,863	31,855
Cash balances end of year	\$ 5,801	135,906	157,559	12,842
Cash Basis Fund Balances				
Restricted for capital expenditures	\$ -	-	-	-
Committed for capital expenditures	-	135,906	-	-
Assigned for capital expenditures	5,801	-	157,559	12,842
Total cash basis fund balances	\$ 5,801	135,906	157,559	12,842

See accompanying independent auditor's report

Capital Projects (continued)		
CDBG Housing Grants	FEMA Projects	Total
-	-	-
-	-	-
-	-	-
-	-	1,754
162,808	13,409	176,217
-	-	-
-	-	115,747
-	-	5,041
162,808	13,409	298,759
-	-	-
-	-	55,989
-	-	-
-	-	-
-	-	-
10,619	6,241	260,860
10,619	6,241	316,849
152,189	7,168	(18,090)
-	-	-
31,611	-	438,570
-	(106,611)	(241,611)
183,800	(99,443)	178,869
(181,846)	112,308	148,058
1,954	12,865	326,927
1,954	12,865	14,819
-	-	135,906
-	-	176,202
1,954	12,865	326,927

City of Manchester

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2015

	Water Debt Service	Water Capital Improvement	Utility Deposit Trust	Sewer Capital Improvement
Receipts:				
Operating receipts:				
Use of money and property	\$ -	-	-	-
Intergovernmental	-	-	-	-
Charges for service	-	-	8,775	-
Miscellaneous	-	15,000	-	-
Total operating receipts	-	15,000	8,775	-
Operating disbursements:				
Business type activities	108,375	71,684	8,045	332,039
Total operating disbursements	108,375	71,684	8,045	332,039
Excess (deficiency) of operating receipts over (under) operating disbursements	(108,375)	(56,684)	730	(332,039)
Other financing sources (uses)				
Operating transfers in	108,375	-	-	170,000
Operating transfers out	-	-	-	-
Net change in cash balances	-	(56,684)	730	(162,039)
Cash balances beginning of year	-	99,598	44,397	167,977
Cash balances end of year	\$ -	42,914	45,127	5,938
Cash Basis Fund Balances				
Committed for capital expenditures	\$ -	-	-	-
Assigned for:				
Capital expenditures	-	-	-	5,938
Other purposes	-	-	45,127	-
Unassigned	-	42,914	-	-
Total cash basis fund balances	\$ -	42,914	45,127	5,938

See accompanying independent auditor's report

<u>Sewer Replacement</u>	<u>Total</u>
346	346
-	-
-	8,775
-	15,000
<u>346</u>	<u>24,121</u>
-	520,143
-	520,143
<u>346</u>	<u>(496,022)</u>
9,359	287,734
(50,000)	(50,000)
(40,295)	(258,288)
<u>47,457</u>	<u>359,429</u>
<u>7,162</u>	<u>101,141</u>
7,162	7,162
-	5,938
-	45,127
-	42,914
<u>7,162</u>	<u>101,141</u>

City of Manchester
Schedule of Indebtedness
Year ended June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Fire station	February 13, 2008	3.85%	\$ 800,000
Corporate purpose, Series 2008	July 1, 2008	3.30 - 4.10%	2,645,000
Corporate purpose, Series 2010	May 15, 2010	1.40 - 3.60%	1,865,000
Water improvement, Series 2010B	November 23, 2010	.85 - 3.15%	550,000
Corporate purpose, Series 2012	May 3, 2012	.60 - 1.60%	1,000,000
Corporate purpose, Series 2013	April 23, 2013	.35 - 1.9%	1,795,000
Corporate purpose, Series 2014A	May 27, 2014	.50 - 2.45%	1,130,000
Corporate purpose, Series 2015A	April 28, 2015	1.5 - 2.40%	1,375,000
Corporate purpose, series 2015B	June 23, 2015	.75 - 2.45%	2,000,000
State revolving fund - Sewer revenue bonds	July 2, 2008	3.00%	\$6,010,000
Water revenue bonds	December 20, 2011	3.00%	909,000

See accompanying independent auditor's report

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
582,000	-	582,000	-	22,283	-
1,075,000	-	1,075,000	-	42,940	-
845,000	-	135,000	710,000	26,045	-
400,000	-	55,000	345,000	9,655	-
840,000	-	215,000	625,000	9,530	-
1,350,000	-	455,000	895,000	12,643	-
1,130,000	-	80,000	1,050,000	16,000	-
-	1,375,000	-	1,375,000	-	-
-	2,000,000	-	2,000,000	-	-
<u>\$ 6,222,000</u>	<u>3,375,000</u>	<u>2,597,000</u>	<u>7,000,000</u>	<u>139,096</u>	<u>-</u>
4,945,000	-	261,000	4,684,000	148,350	-
750,000	-	84,000	666,000	22,500	-
<u>\$ 5,695,000</u>	<u>-</u>	<u>345,000</u>	<u>5,350,000</u>	<u>170,850</u>	<u>-</u>

City of Manchester

Bond and Note Maturities

June 30, 2015

Year Ending June 30,	General Obligation Bonds and Notes							
	Corporate Purpose Series 2010		Corporate Purpose Series 2010B		Corporate Purpose Series 2012		Corporate Purpose Series 2013	
	May 15, 2010		November 23, 2010		May 3, 2012		April 23, 2013	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2016	2.75%	135,000	1.85%	55,000	1.00%	215,000	0.60%	140,000
2017	3.00%	135,000	2.10%	55,000	1.20%	225,000	0.75%	115,000
2018	3.25%	145,000	2.40%	55,000	1.60%	95,000	0.95%	125,000
2019	3.40%	145,000	2.70%	60,000	1.60%	70,000	1.05%	100,000
2020	3.60%	150,000	3.00%	60,000	1.60%	20,000	1.30%	100,000
2021	-	-	3.15%	60,000	-	-	1.50%	105,000
2022	-	-	-	-	-	-	1.70%	105,000
2023	-	-	-	-	-	-	1.90%	105,000
2024	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-
		<u>710,000</u>		<u>345,000</u>		<u>625,000</u>		<u>895,000</u>

Year Ending June 30,	State Revolving Fund Revenue Bonds		State Revolving Fund Revenue Bonds		Total
	July 2, 2008		December 20, 2011		
	Interest Rates	Amount	Interest Rates	Amount	
2016	3.00%	270,000	3.00%	86,000	356,000
2017	3.00%	278,000	3.00%	89,000	367,000
2018	3.00%	287,000	3.00%	92,000	379,000
2019	3.00%	297,000	3.00%	95,000	392,000
2020	3.00%	306,000	3.00%	98,000	404,000
2021	3.00%	316,000	3.00%	101,000	417,000
2022	3.00%	327,000	3.00%	105,000	432,000
2023	3.00%	337,000		-	337,000
2024	3.00%	348,000		-	348,000
2025	3.00%	359,000		-	359,000
2026	3.00%	371,000		-	371,000
2027	3.00%	383,000		-	383,000
2028	3.00%	396,000		-	396,000
2029	3.00%	409,000		-	409,000
		\$4,684,000		666,000	5,350,000

See accompanying independent auditor's report

Year Ending June 30,	General Obligation Bonds and Notes						
	Corporate Purpose Series 2014A		Corporate Purpose Series 2015A		Corporate Purpose Series 2015B		Total
	May 27, 2014		April 28, 2015		June 23, 2015		
	Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	
2016	0.50%	160,000	1.50%	380,000	-	-	
2017	0.80%	155,000	1.50%	305,000	0.75%	185,000	1,175,000
2018	1.10%	165,000	1.50%	300,000	1.00%	185,000	1,070,000
2019	1.70%	80,000	1.70%	55,000	1.30%	190,000	700,000
2020	1.70%	80,000	1.70%	55,000	1.50%	195,000	660,000
2021	1.70%	80,000	1.70%	55,000	1.70%	195,000	495,000
2022	2.10%	85,000	2.05%	55,000	1.85%	200,000	445,000
2023	2.10%	85,000	2.05%	55,000	2.00%	205,000	450,000
2024	2.45%	90,000	2.40%	60,000	2.15%	210,000	360,000
2025	2.45%	70,000	2.40%	55,000	2.30%	215,000	340,000
2026		-		-	2.45%	220,000	220,000
		1,050,000		1,375,000		2,000,000	7,000,000

City of Manchester

Schedule of Receipts by Source and Disbursements by
Function - All Governmental Funds

	2015	2014	2013	2012
Receipts:				
Property tax	\$ 2,510,811	2,487,134	2,418,612	2,369,851
Tax increment financing	483,242	460,648	482,885	448,997
Other city tax	890,233	808,153	514,562	539,479
Licenses and permits	86,507	59,605	68,386	81,250
Use of money and property	30,297	30,264	39,947	37,534
Intergovernmental	2,159,376	1,568,778	1,788,742	1,164,408
Charges for service	453,486	450,766	453,975	467,608
Special assessments	115,747	151,447	122,288	115,749
Miscellaneous	306,586	288,780	313,766	572,786
Total	<u>\$ 7,036,285</u>	<u>6,305,575</u>	<u>6,203,163</u>	<u>5,797,662</u>
Disbursements:				
Operating:				
Public safety	\$ 1,390,475	1,283,259	1,349,987	1,307,833
Public works	1,197,310	1,210,853	1,003,015	1,077,500
Culture and recreation	835,512	849,916	951,894	797,076
Community and economic development	307,874	328,015	291,464	201,313
General government	316,893	235,480	1,241,754	284,863
Debt service	2,766,404	1,703,677	1,887,366	1,125,583
Capital projects	3,789,247	1,952,614	1,724,147	1,425,513
Total	<u>\$ 10,603,715</u>	<u>7,563,814</u>	<u>8,449,627</u>	<u>6,219,681</u>

See accompanying independent auditor's report



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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Manchester, Iowa, as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 28, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Manchester's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Manchester's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Manchester's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Manchester's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-14 and II-C-14 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-14 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Manchester's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Manchester's Responses to Findings

The City of Manchester's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Manchester's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Manchester during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C., CPA'S

March 28, 2016

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A significant deficiency and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The City of Manchester did not expend federal funds in excess of the OMB A-133 Single Audit dollar threshold of \$500,000 for the year ended June 30, 2015.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- II-A-15 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. These incompatible duties can be summarized into four general categories: Custody, Authorization, Record-Keeping and Review. Ideally, separate individuals have control over each of the duties listed within the following areas for the City:

Cash – handling, reconciling and recording.

Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.

Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.

Payroll – recordkeeping, preparation and distribution.

Utilities – billing, collecting, depositing and posting.

Financial reporting – preparation and reconciling.

Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should continue to review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – We will consider this and continue to review procedures.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel and elected officials to provide additional control through review of financial transactions and reports.

- II-B-15 Preparation of Financial Statements - Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting which is a basis of accounting other than U.S. generally accepted accounting principles. The City does not have an internal control system designed to provide for the preparation of the financial statements, including accompanying footnotes, as required by governmental accounting standards and the cash basis of accounting. The guidance in Statement of Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate this matter to those charged with governance.

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an entity of this size.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including necessary disclosures, in accordance with generally accepted accounting principles can be considered costly and ineffective. However, it is the responsibility of the City’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the time necessary to remain current on GAAP and GASB reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on an ongoing basis. Internal financial statements are prepared monthly for reporting and decision making purposes. The requirements and form of the audited statements are different than the internal needs and change occasionally. Given the size of the organization, it is helpful to rely on the expertise of the auditors to monitor those requirements.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Other Findings Related to Statutory Reporting:

- III-A-15 Certified Budget – Disbursements exceeded the amounts budgeted prior to amendment in the general government function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

- III-B-15 Questionable Disbursements – There were no disbursements noted that do not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

- III-C-15 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- III-D-15 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
1) Jessi Bahls, wife of employee Greg Bahls	Rhubarb run, reimburse supplies	\$ 108
2) Mark Fink, brother-in-law of employee Chad Eschen	Snow removal, large machinery, demo	1,850
3) Erica Foley, wife of employee Doug Foley	Volleyball instructor	300
4) Wessels Tuckpointing, owned by Police Sergeant Jim Wessels	Stump grinding	188

In accordance with Chapter 362.5(k) of the Code of Iowa, transaction 2 may represent a conflict of interest since total transaction was more than \$1,500 during the fiscal year and the transaction was not competitively bid.

In accordance with Chapter 362.5(j) of the Code of Iowa, the remaining transactions do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – The City acknowledges the recommendation and will work with legal counsel to develop a policy to ensure the City is in compliance with Chapter 362.5(k) of the Code of Iowa.

Conclusion – Response accepted.

III-E-15 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-15 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-15 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

III-H-15 Revenue Bonds and Notes – Per the Water Revenue Bond, Series 2011 agreement, the City is required to make monthly transfers into a sinking fund in an amount equal to 1/12th of the installment of principal coming due on the next succeeding principal payment. The City made only one lump sum transfer at the end of the fiscal year.

Recommendation – The City should make monthly transfers as required by the Water Revenue Bond, Series 2011 agreement.

Response – The City acknowledges the recommendation and will implement the transfer to a sinking fund.

Conclusion – Response accepted.

III-I-15 Financial Condition – The Capital Projects – Whitewater Park Project Fund had a deficit balance of \$129,269 at June 30, 2015.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response – The deficits were due to construction costs incurred prior to receipt of grant funds. These timing issues occur as a result of grant reimbursement agreements.

Conclusion – Response accepted.

III-J-15 Unclaimed Property – The City has numerous outstanding checks that are being carried on the GNB bank reconciliations. No action is being taken on these items.

Recommendation – We recommend the City review all checks in excess of one year outstanding and report as unclaimed property to the State Treasurer on an annual basis per Chapter 556.11 of the Code of Iowa or consult counsel to determine other options for proper disposal of these items.

Response – The City acknowledges the recommendation and will implement a policy to address checks outstanding for more than one year, which will include participation in the Great Iowa Treasure Hunt.

Conclusion – Response accepted.